

AMBASSADOR FISHER: Incidentally, I have taken what was written and rewritten it last night. So I hope you have a copy. I was yesterday making a presentation on trade policy in Latin America and was reminded of Russell Baker's old quip that "Americans will do anything for Latin America but read about it and think about it."

And it struck me that if you were to modify that somewhat and ask him now about trade deficits, he would say that Americans read about them but rarely think about them and what they mean.

So that's my way of applauding the Commission's work. I think it's important to make us think about the trade deficit and the results of your hearings and research can be immensely valuable for us as an administration, for the Congress, and for the public to understand and as they debate trade policy in the years ahead.

I want to make a few points about the general philosophy of American trade policy and then discuss the interplay of trade policy and the trade deficit. Let me just say, too, by way of introduction I'm humbled at the range of minds that I'm sitting in

front of. And I submit my statement and what I've got to say with a great deal of humility, something that's probably rare in these chambers on both sides of the aisle.

The first point is that U.S. trade policy generally has not been about setting the goal of achieving a particular level of trade balance. I know previous Administration witnesses have come before this Committee, and they have noted overall balance levels are mainly the result of macroeconomic factors. And we concur with that.

We all know that the robust growth in the United States the past two years, in contrast to the very weak growth in global recession experienced abroad, has helped to increase our trade deficit.

Our view, therefore, is that U.S. trade policy should be measured by its success in achieving goals such as removing foreign barriers to our exports, by fundamental results such as expanding exports and high-paying jobs that exports support, by raising real purchasing power and living standards for the American people. This has been the guiding principle of American trade policy since the New Deal under the administration of Franklin Roosevelt.

And since then Administrations of both parties have designed trade policy less to achieve particular levels of import-export balance than to contribute to large economic goals of rising living standards and long-term economic growth. Our Administration's trade policy has been squarely in this tradition.

And we have built upon a bipartisan record of achievement. I'm sorry that Ambassador Hills is not here today because her work, among others, deserves a great deal of credit for what we have been able to do in this Administration.

I think you probably know of our history and at least how we report out our history, some 300 separate trade agreements. And I'd like to just mention three by way of introduction that I think have fundamentally changed our country's trade environment.

The first is what we did, building upon the previous Administration's work, to cement our most important trading relationships with our immediate neighbors; that is, Canada and Mexico. And, as you know, they make up more than one dollar in three of all of our trade in the world, and that is through the

passage of NAFTA in 1993. I think that was a single accomplishment.

Second, we strengthened the rule of law and worked to open markets worldwide through the completion of the Uruguay Round Agreement, again building on our predecessors' hard work, and the creation of the WTO in 1995.

This effort, together with the bilateral market-opening agreements that we have negotiated with a range of countries -- Europe, Canada, Latin America, Korea, and so on -- have been complementary. And now our agreement on China's WTO accession is a similar step forward towards opening markets worldwide for our products that we export and the services that we export.

And, third, after the creation of the WTO, we set about completing a set of agreements on information technology and telecommunications and financial services and most recently on electronic commerce in order to open up the world of high-tech products and services, in which we excel as producers.

Thus, trade policy together with strengthening a commitment to education and job training and investments in science and technology at

home and a restoration of fiscal discipline has helped to fundamentally improve our country's situation.

I went back and read some interesting speeches, which I'm not sure you have ever read, -- if you haven't, I would recommend them -- made by Winston Churchill at the turn of the century on trade.

Ninety-three years ago, he made an interesting statement. He said that, quote, "The country in which the superfine processes are performed -- the superfine" being "the most complicated terminal stages of manufacture," as he defined it -- "is the country which possesses that which is called commercial leadership."

Over the past decade, America has indeed built a record of commercial leadership. You know as well as I do that we have grown at a rather rapid rate of expansion. Our economy has expanded 31 percent to \$9.2 trillion in GDP. We've got the longest economic expansion in American history.

Expansion of exports during this period totaled well over \$300 billion, accounting for a fifth -- I notice it says "a third" -- a fifth of our growth until the recent financial crisis. And especially

impressive has been the growth in American manufacturing by some 40 percent to 1.4 trillion.

Our economy has created 20 million new jobs, including a net gain of 259,000 jobs in the manufacturing sector. It's interesting to note that job creation in Japan and Germany, whom we and others once upheld as the paragons of accomplishment and excellence, rose -- total job creation -- by a paltry 130,000 over the same period that we created 20 million jobs in the United States.

And, by the way, I hasten to add for those who worry about deficits and surpluses that both Germany and Japan are surplus countries, as is Russia, by the way -- I was reminded by my staff this morning -- which now runs the third largest trade surplus in the world, 32 billion, which is 15 percent of GDP, hardly a healthy economy.

In contrast to Japan and Germany, our unemployment rates have fallen to four percent. You know this is the lowest unemployment rate since January of 1970. And these benefits of a falling unemployment rate have been spread throughout our economy to the point where now unemployment rates in the African American and Hispanic community are the lowest they

have ever been. Nearly 12 million American jobs that have been created are related to exports.

In terms of technological progress, our economy is more competitive, with unprecedented technological advance and rising rates of investment. And many observers -- and we know this instinctively now, but if you care about how people rate you, we are rated as the most competitive economy in the world.

Our competitive superiority has attracted massive capital inflows into the United States. The United States share of world direct investment has sharply increased with foreign countries' investment rising from \$45 billion in 1994 to \$193 billion in 1998. Germany, I am told by our embassy in Berlin, has invested more in the U.S.A. in the last three years than it has in all of Europe.

Now, many have expressed fears that a more open world would promote investment in countries with lower wages or weaker labor and environmental standards than we have here in the United States.

Investment decisions obviously have many causes, but experience shows that our high standards in both of these areas as well as the rest of our economy

have not been a deterrent to investment in the United States.

American families today enjoy higher living standards with average wages for non-supervisory workers, finally reversing a 20-year decline to grow by 6.8 percent in real terms since 1992.

We have record levels of home ownership, sharp declines in the poverty rate, and unprecedented growth of family assets, investments in mutual funds and other measures of financial well being.

I think it is very important to note that over 80 million Americans are now invested in equities.

This is a dramatic statement of the evolution of our society and the atomization of the ownership of the capital plan in this country. And it is dramatically American.

I always remind my friends in the Senate and the House that if you sit on an airplane or you ride the train or just stand on the street corner and watch people reading USA Today, as many people turn to the green section, which is the "Money" section, as turn to the red section, which is the "Sports" section.

The American dream used to be owning a home. Now it's to own a home and have a well-

performing mutual fund in your portfolio and your retirement account.

While trade is often considered a factor promoting change, trade policy has also helped to give us guarantees of economic security in times of crisis. This was made very clear during the Asian financial crisis, when our network of trade agreements and the new disciplines of the system helped to contain a worldwide instinct towards protection and retaliation that would have done immense damage to American farmers and manufacturers and service providers and to our overall economic health.

Finally, a comment that I think is particularly relevant to my generation, the baby boomers. I mentioned earlier that our unemployment rate has fallen to four percent, the lowest it's been since 1970. In 1970, trade, as a fraction of GDP; that is, if you add imports and exports and divide that by our gross domestic product, was 13 percent. Today it's 31 percent.

Then at the height of the hot war in Vietnam and the cold war with the Soviet Union, defense spending accounted for about eight percent of GDP. Today it accounts for three percent.

We have accomplished since 1970 a shift from creating employment and structuring our economy through conducting and preparing for war to an economy driven by the more peaceful challenge of competing internationally on the economic front.

Based on these kind of fundamental criteria, I would argue, we would argue, that our trade policy has been a success. The record for the past seven years, however, from a rough balance on trade during the last recession in 1991 to a deficit in goods and services of about 1.4 percent of GDP in the period between '94 and '97 -- by the way, compared to 3.2 percent of GDP in the late 1980s -- and then the expansion of our deficit to last year's level of 271 billion, or 2.9 percent of GDP, has to be taken into account. The fact is we have had a sharp increase in our trade imbalance.

Other Administration officials have appeared before you to discuss this matter. I noted in looking at the record here that Bob Lawrence, from the Council of Economic Advisers, had ably laid out the reasons for this increasing deficit.

He noted the growth of deficit has been driven by many factors: the strong growth of the U.S.

economy; weakness elsewhere, particularly in Asia -- by the way, notably a decline of approximately eight billion dollars in exports to Japan, which has been stuck in recession now, even though they are a surplus country for almost a decade or over a decade -- and also because of a period of slower economic growth in Europe.

And, thus, while imports have continued to grow at rates comparable to those of the mid-1990s, exports have remained at a level between \$917 billion and \$932 billion from 1996 to 1998 and have only recently begun to grow.

The difference in growth between the U.S. and the rest of the world has led to an increase in our trade deficits with almost all of our major trading partners. And in my written statement, you see a table broken down by partners.

Looking ahead, it appears likely that strong growth in the U.S. market will keep imports growing. Although we note that we have friends that have differences of opinion on this, it is the opinion of the President and our Administration and of the Deputy U.S. Trade Representative that this is not a cause for regret. As noted earlier, imports tend to

promote competition, they raise living standards, and they keep inflation low.

If you go to any store where ordinary, hard-working Americans shop, say, at Target or Home Depot or in my area of rural East Texas if you go to Dollar General, you will see the shelves stocked with imported goods that help our consumers stretch their hard-earned dollars and cut the cost of living.

U.S. exports of goods and services appear to be resuming their earlier rapid growth as prospects for the world economy are beginning to brighten and global growth accelerates.

Exports of American goods and services have risen from a year earlier levels for the last eight months; that is, through December of 1999, with an average monthly gain of 3.7 percent; whereas, in 11 out of the preceding 12 months, they had been falling.

As this very cursory analysis indicates, trade policy is likely to have only a small effect on our overall U.S. trade balance levels. Conceptually, a return to substantially higher trade barriers, however, would certainly kill two birds with one stone.

Protectionism would be very damaging to America's poor and would likely prompt retaliation

against American farmers and manufacturing workers while having at most a minimal effect on the U.S. trade deficit.

In fact, by threatening foreign economies and reducing demand overseas, it would likely shrink both exports and imports and would be a force for American workers to move from higher-wage, high-skill, export-driven jobs to less rewarding jobs.

A further program of market opening, as we have laid out in our negotiating agenda at the WTO with our major bilateral trading partners and in our effort to secure accession for China to the World Trade Organization, will allow us to build upon the successes we have achieved thus far in fostering higher-wage jobs, long-term sustainable growth, and rising living standards.

Trade policy, however, per se will not likely be a principal factor either in determining the differential rates of growth at home or overseas or in changing our national savings and investment patterns.

It will, however, contribute to more fundamental goals of all of our economic policies, again sustainable long-term economic growth, rising living standards for all Americans, and our broader

aspirations, importantly, for the imposition of the rule of law and strengthening international peace and standards.

As we consider the questions raised by the trade deficit and by trade policy more generally, the counsel of logic and the lessons of experience are clear in our opinion. One markets and free trade are of fundamental importance to America's economic and strategic interests.

To turn our back on open trade would be to accept a lower standard of living, loss of export opportunities, reduced rates of investment in plants and hiring, and ultimately a loss of national strength and influence.

To accept an open economy for ourselves and to promote freer trade worldwide is to set high standards for ourselves, is to open new possibilities for our working people and our industries, and helps us reduce the costs of essentials of life, as I mentioned earlier, for the poor, and to accept our responsibility for world leadership.

This is our policy towards trade, and it is a policy that we are very proud to maintain.

Thank you.

VICE CHAIRMAN PAPADIMITRIOU: Thank you very, very much, Ambassador Fisher. As I understand, you have designated Mr. Walters to take all of the questions?

AMBASSADOR FISHER: I would be happy to --

VICE CHAIRMAN PAPADIMITRIOU: Or would you take some now?

AMBASSADOR FISHER: You always bring people who are smarter than you to answer questions you can't answer, but I would be happy to try to. If you would like me to answer questions, I would be happy to do so.

VICE CHAIRMAN PAPADIMITRIOU: Maybe you can take a few, and when you have to go because of the time pressure, you let us know.

AMBASSADOR FISHER: Yes, sir.

VICE CHAIRMAN PAPADIMITRIOU: And we'll push the rest of them to Mr. Walters.

AMBASSADOR FISHER: If it is an impossible question, I will give it to Mr. Walters.

VICE CHAIRMAN PAPADIMITRIOU: Commissioner Angell?

COMMISSIONER ANGELL: Mr. Chairman, I wish to forego a question and simply compliment Ambassador Fisher and the President for the statement that you

brought before us. It makes me proud to be an American.

AMBASSADOR FISHER: Thank you.

VICE CHAIRMAN PAPADIMITRIOU: Commissioner Wessel?

COMMISSIONER WESSEL: I have a question. We have seen in the past and you talked earlier about 300-some odd trade agreements that have been signed during this Administration. We also have, of course, outstanding trade agreements from previous Administrations. We have flat glass. We have seen two IP agreements with China. We have seen insurance. We have seen a number of other things.

You also talked about protectionism. When we threaten tariffs to try and gain enforcement of the trade agreements that you and your colleagues have negotiated, is that protectionism? Where do we draw the line? And what is appropriate to try and make sure that the bilateral commitments or multilateral are, in fact, agreed to?

AMBASSADOR FISHER: Well, it's a thoughtful question, and it's not an easy one to answer, but there are conventions that one is governed by in terms of implementing your overall trade policy. And I'm

referring specifically here to dumping and to trying to right the imbalances that are often created by surplus production and created by distortive fiscal policies or other incentives given to these producers of surplus product.

As you know, we have had a rather tough go of this, particularly with regard to steel. And we have a responsibility to achieve the proper balance in order not to decimate our industry or those that make their livelihood from that industry in the United States.

In doing so, we have a responsibility to do it in a way that doesn't feed the fires of protectionism on a broader plain. This is not an easy thing to do. It's why it ultimately is pushed up to the President of the United States to make a final decision, as we just did on wire rod, for example. And it's not a quantitatively easy, analyzable situation. It is a qualitative decision.

Usually you make your best decisions when you have made everybody unhappy. We haven't pleased everybody in this process, but we have worked very hard, particularly in that area and some other areas, to counter the instinct that countries have to look at

the largest consumer in the world, which is us -- one thing we do better than anybody else is consume -- and take advantage of our market.

There is a virtue to being open, but there is also a need to make sure that you are not violated. And we try as we proceed through this to try to find that right balance. Again, it's not a precise mathematical calculation.

VICE CHAIRMAN PAPADIMITRIOU: Commissioner Rumsfeld?

COMMISSIONER RUMSFELD: Ambassador Fisher, I thought that was an excellent statement, both in its direction as well as in the specifics and the data that was provided in a useful way.

I have a question about enforcement. We have had some indications from various witnesses before the Commission over a period of time that talk about the, at best, uneven and, in some instances, absence of enforcement on the part by the United States.

It seems to me that if something is on the books, it ought to be enforced. And if it's not a good idea, it ought to be taken off the books or ought to be changed or revised in some way. But it's unhelpful to

have things there than are not enforced because it leads to the impression of unfairness to people.

If it's a good regulation or a good agreement, it seems to me it's important to enforce it because we're capable of enforcing. And there are a number of countries that don't have the leverage to do that. So it helps everybody.

It also helps the country it's being enforced against because protectionism hurts them. They may not know it, but it, in fact, hurts them as a country, it seems to me.

Do you have anything you could say about your sense of how well we're doing over the years in trying to enforce the regulations and agreements we have?

AMBASSADOR FISHER: Well, the duties in this government, as you know, Mr. Secretary, are divided --

COMMISSIONER RUMSFELD: Right.

AMBASSADOR FISHER: -- between what we do, really, as architects of the system -- I use that term generously in terms of our own attributes -- and the Commerce Department, which has the duty of enforcement. The President has recently put forward some higher

budget dollars for the mighty USTR -- which, by the way, has a \$28 million budget and we now have the ability to have 190 employees in a \$9.2 trillion economy -- to give us also a more significant role with enforcement, particularly as regards the implementation of the China WTO accession agreement.

Again, I would naturally argue that we do a good job, but obviously we're imperfect. The reference earlier that Mr. Wessel mentioned about flat glass, for example, which is something that I have been negotiating, or insurance in the case of Japan, there is always in these agreements the ability to negotiate, if not enforcement itself, a way to try to achieve the goal which you have struck out for; that is, you have struck out to try to achieve or you set out to try to achieve. That is part of the negotiating process.

I would grant you that it is an imperfect system. And I would take your point that if you're going to have an agreement, you ought to enforce the bloody thing.

For example, we have, as we move up into what Churchill would call the superfine processes, we move up the value-added ladder in the area of

intellectual property, we have set about building that culture in this country.

We are the largest producers of intellectual property in the world. And we wish to protect, in terms of patents and other attributes, the ability to safeguard that intellectual property and to sell it for profit for our workers who make it and our thinkers who think it up and our shareholders who own these companies.

These are shifting sands over time. We are in the midst of a rather significant argument right now about how to solve a pandemic, which is AIDS, and at the same time provide patent protection for the pharmaceutical companies.

My point is that you may negotiate these things up front, but there may be a shift in the sands as to the underpinnings behind what you have negotiated, and you have to adjust accordingly. So in that sense, it's not a perfect process.

That's a long-winded answer. I think we do the best we can. I would like to see obviously a better job done. We would like to do a better job. But you work with what you have.

VICE CHAIRMAN PAPADIMITRIOU: Commissioner Thurow.

COMMISSIONER BECKER: Let me follow up on enforcement.

VICE CHAIRMAN PAPADIMITRIOU: Let me give Commissioner Thurow the chance first.

COMMISSIONER THUROW: This morning there was a lot of talk about China and the huge trade deficit with China. I have a puzzle about China I would like you to answer. If you look at Western Europe and the United States, we're both big industrial places that kind of sell the same things and buy the same things. Western Europe has a small trade surplus with China while we have a huge trade deficit.

Now, I don't know any way the market could produce that. The only way I know that could happen is if China was systematically managing its trade to discourage purchases from America and encourage purchases from Europe, or if the Europeans were finding some way to keep Chinese products out. It just doesn't seem like it's a market outcome.

AMBASSADOR FISHER: I don't know, and maybe David could give me the numbers in terms of what they sell into Europe. I know they buy too little from us

and they sell a great deal here. Again, to go out to my favorite store near where we come from in East Texas

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COMMISSIONER THUROW: The real question is

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AMBASSADOR FISHER: -- you see the Chinese goods on the shelves.

COMMISSIONER THUROW: No. It's the difference between Europe and America. I don't care how much they're selling in America. Why the big difference?

AMBASSADOR FISHER: The EU runs a twenty-one-and-a-half billion dollar deficit with China. We run a \$68.7 billion deficit with China. Japan runs a \$17.5 billion deficit with China.

COMMISSIONER ZOELLICK: Do you have the import numbers? Because that answers this question.

AMBASSADOR FISHER: Yes. We have the import numbers with Europe, 44 billion; and the United States, 81 billion. Look, we've been growing. We're the most powerful economy in the world. There are only two other economies that have two trillion dollars in output. We have nine trillion dollars in output. We're massive consumers.

I don't know the answer to the riddle. All I know is that there is a solution, which is to open up the Chinese market to our goods and our exports and our services. And that's what this exercise is all about.

That's what we have negotiated with them. That is our agreement. If we can again be part of the process for the WTO accession.

So we're all running deficits with them. Europe is importing roughly half of what we have been importing. We have been growing at the margin substantially. And Japan, of course, which runs -- it's interesting -- almost half as much imports, has been stagnant for a decade, nowhere approaches the size of our economy presently. What's the answer? The answer is to open up their market. I think it's a better answer than shutting down ours.

So I don't know the answer to your riddle, but I do feel that we have a solution to the problem. And that is to have access to that market. And, very, very importantly -- and this is where you get into some of the controversy, but it's critical that they be subject to the rule of law and the rules of the system and the rules of the road.

That's the purpose of WTO accession, so that we can have confidence that when we sell goods into their market, we can then distribute them, provide the after-market support and so on, to make it attractive to buy our products, which currently is not the case.

VICE CHAIRMAN PAPADIMITRIOU: Commissioner Becker.

COMMISSIONER BECKER: I agree with what a lot of people have said about enforcement being the key to workers and companies having faith in the existing laws. You mentioned the 201 wire rod. This case went through the ITC --

AMBASSADOR FISHER: It took a long time.

COMMISSIONER BECKER: -- and to the President's desk in June of 1999. Tremendous political pressure had to be brought to get this off his desk just as late as a couple of weeks ago. I'd like your feelings or comments on that.

Second, in regard to enforcement, it's a tremendous cost for companies to file 201 or anti-dumping cases. It's almost prohibitive. Only the very richest companies can do this. Small mom and pop shops

are lost in the shuffle. They couldn't come up with a million bucks to do this.

Senator Arlen Specter of Pennsylvania tried to get advanced a bill that would allow interested parties, either companies or workers or representatives of workers, to intervene directly in federal court for injunctive action.

How would you feel about that as a solution to this problem?

AMBASSADOR FISHER: Well, you asked me two questions. The latter I'd like to get back to you on, Mr. Becker, because I'm not a lawyer and I don't have an answer to that question. And I will get back to you.

The former question, in terms of the timing, again, not being a lawyer and not being part of the official enforcement mechanism but at the same time making the point that the desire here was to do it right, to achieve a solution that would protect us from dumping in our markets. And the process, indeed, as you pointed out, took a great deal of time, and was finally made by the President just in the last two weeks.

The objective here, again, is to get it right and to find some relief for our workers without unleashing further forces that would be negative in our society. Again, as to why it took so long, I think that is the explanation. Whether or not that is satisfactory I think is in the eyes of the beholder.

I do think it's important -- you just raised by mentioning 201 and 301 and so on, going back to a comment made earlier, I think, by Secretary Rumsfeld, not only as a member of the WTO but also using the power of our economy, we do have the ability to make sure that people do adhere to the laws. And we have created our own conventions under these different sections of our trade law. And we used the power of our economy to make sure that we're not abused according to those sections.

Again, I think we do as good a job as can be done, but I know that there are constituencies that are not satisfied with the process. I don't know what more I can say about that.

As to the specifics of the second half of your question, I will get back to you, Mr. Becker, because I don't know the answer to that question. I wouldn't dare answer it, but I'll get back to you, sir.

VICE CHAIRMAN PAPADIMITRIOU: Commissioner Lewis?

COMMISSIONER LEWIS: Ambassador Fisher, thank you very much for coming. On page one of your written statement, there appears to be an inconsistency with something we heard this morning. On page one of your statement, you say U.S. trade policy should be measured by certain goals or measurements like removing foreign barriers, expanding exports, and so on.

And then you say, "This has been the guiding principle of American trade policy since the New Deal. Since then, administrations of both parties have designed trade policy less to achieve particular levels of import-export balance than to contribute to larger economic goals."

This morning Senator Sarbanes told us that, in fact, the U.S. made a balance of surplus in our payments with the rest of the world an explicit goal of national policy. And he said that he served on the staff of Walter Heller, who was President Kennedy's Chairman of the Council of Economic Advisers.

And he said, quote, "Basic balance in international payments is one of the principal goals of economic policy." And then he went on for the

rationale of this, and then he says this occurred until the 1970s.

Well, I was just concerned that you're saying that since the New Deal trade policy has not had as one of its goals balance. Yet, Senator Sarbanes was saying, under President Kennedy, that was one of the goals.

AMBASSADOR FISHER: Well, again, I may stand corrected if that's indeed a factual point, and I'll take a look at it. But I think the underlying point is this, that our deficits or surplus are not determined by trade policy per se. It is not the purpose of trade policy to target a deficit number that somehow is optimal or perfect, nor a surplus.

These are determined by macroeconomic growth factors and other factors that --

COMMISSIONER LEWIS: I would just refer you to Senator Sarbanes' statement this morning. And I wish that you would take a look at it and compare it with what you were saying and respond to us about it.

AMBASSADOR FISHER: Thank you. I will.

COMMISSIONER LEWIS: Thank you very much.

VICE CHAIRMAN PAPADIMITRIOU: Commissioner Zoellick.

COMMISSIONER ZOELLICK: I think the answer is floating exchange rates. In 1960 and '61 and '62, you had a balance of payments problem that was related to a whole different exchange rate system than you had in the '70s. So the short answer is that in the 1960s, with fixed exchange rates, the U.S. had to be concerned more with its balance of payments, because foreigners could exchange dollars for gold at a fixed rate.

I also want to compliment you on your testimony, which I thought -- and for those who work with you at USTR -- was a very good job not only in terms of policy, but people took time to put together some good and interesting illustrations.

I had a question that --

AMBASSADOR FISHER: It took a lot of time to research Russell Baker.

COMMISSIONER ZOELLICK: I had a question on the China-WTO accession issue because this came up with some of the members of Congress. At least I came away with some confusion on this, and it may be important to your advocacy with the Congress on this issue.

When I asked a question this morning, Senator Gramm and some others mentioned that if the Congress does not go along with the President's

proposal for China's WTO accession, that would stop China from going into the WTO.

That was not my understanding. My understanding was that China gets into the WTO regardless, and this vote just determines whether we get the benefits of that. So I would wish that you could clarify that.

And, second, if my understanding is correct, I would just politely suggest you've got some work to do up here if someone like Senator Gramm doesn't know that.

AMBASSADOR FISHER: Well, we always have work to do up here.

You're right. That is, if China accedes through this web of bilateral agreements they need to reach and then can get the so-called protocols, which is a multilateral Geneva-based negotiation, squared away, we have reached agreement bilaterally with the PRC and also with Taiwan.

If other countries reach similar agreements; that is, their trading partners -- and, by the way, Europe has yet to close. Mexico has yet to close. Argentina has yet to close and others. There are, I think, 13 more -- then once that is done and

they indeed accede to the WTO. One of the principles that is required is providing normal trading rights. Others will have access to that market, but unless we deliver that quid pro quo, then we will not. So your understanding, Mr. Zoellick, is correct.

COMMISSIONER ZOELLICK: Thank you.

AMBASSADOR FISHER: And I take your second point that we still have work to do up on the Hill.

COMMISSIONER WESSEL: If I could follow up just with a clarification, it would be up to China to determine at that point and if we were to extend MFNTR on an annual basis, the rights and privileges they wanted to extend to us and we wished to extend to them could still continue as it is. A separate political question is how they may deal with it at that point.

COMMISSIONER ZOELLICK: Since this is a follow-on, I thought that was the heart of what the Chinese were negotiating about with us. So basically while annual NTR might be theoretically possible, this approach basically says, "Yes, we negotiated all of that, but we really didn't mean it".

COMMISSIONER WESSEL: But as a legal matter, it is not the case that we lose the benefits. It's a question of politics and economics.

AMBASSADOR FISHER: We've been around that block, but our take is that we must grant them PNTR, permanent normal trade relationship, in order to get the benefit of the exercise.

COMMISSIONER WESSEL: As a political or as a legal matter?

AMBASSADOR FISHER: According to the conventions of the WTO, we must grant them PNTR.

VICE CHAIRMAN PAPADIMITRIOU: Thank you very, very much, Ambassador Fisher. We appreciate very much your commentary.

AMBASSADOR FISHER: Thank you. Now the smart guy will be getting up here, David Walters.

VICE CHAIRMAN PAPADIMITRIOU: Thank you.

AMBASSADOR FISHER: He's much smarter than I am. Thanks.

VICE CHAIRMAN PAPADIMITRIOU: I would like to invite the members of the next panel to come forth. Let me say from the outset that we thank you all for coming. We appreciate very much what you will tell us. We have your statements and are looking forward to hearing any additional comments that you may make when the question period comes about.

We will follow the order that has been listed in the press release. The first speaker is Michael Mussa from the International Monetary Fund; followed by Lee Price, the Chief Economist of the U.S. Department of Commerce; and, finally, David Walters, who is a Deputy Assistant Trade Representative of the U.S.

Mr. Mussa, welcome and thank you.